

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

FRB-03 CIAE-00 INR-07 NSAE-00 PA-01 PRS-01 L-03 XMB-02

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8664

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E.O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: DENATIONALIZATION OF BANK DEPOSITS

1. THE GOA HAS PROMULGATED LAW 21495 ABROGATING THE FINANCIAL SYSTEM OF "NATIONALIZED DEPOSITS" INSTITUTED BY LAW 20520 IN 1973. UNDER THE NATIONALIZED DEPOSIT SYSTEM, COMMERCIAL BANKS HELD DEPOSITS FOR THE ACCOUNT OF THE CENTRAL BANK AND HAD THEIR LENDING LEVELS DIRECTLY DETERMINED BY THE CENTRAL BANK. UNDER THE NEW SYSTEM, COMMERCIAL BANKS WILL HOLD DEPOSITS FOR THEIR OWN ACCOUNT AND WILL HAVE THEIR LENDING LEVELS DETERMINED BY RESERVE REQUIREMENTS IN RELATION TO THEIR DEPOSITS. THE LAW GIVES THE CENTRAL BANK DISCRETIONARY AUTHORITY AS TO WHEN NEW SYSTEM WILL BEGIN TO BE IMPLEMENTED, PROVIDING ONLY THAT THE GRADUAL NORMALIZATION OF THE CAPACITY TO LEND SHOULD NOT TAKE LONGER THAN 24 MONTHS.

2. THE REACTION OF AMERICAN BANKS WITH COMMERCIAL BRANCHES OR SUBSIDIARIES IN ARGENTINA IS GENERALLY FAVORABLE. SINCE THEY HAVE RELATIVELY HIGH LEVELS OF DEPOSITS IN RELATION TO CURRENT LENDING, THEY ARE CONFIDENT THEY WILL BE ABLE TO EXPAND THEIR LENDING LEVELS UNDER THE NEW COMPETITIVE BANKING ENVIRONMENT. THEY HAVE ONLY EXPRESSED DISSATISFACTION WITH THE PROSPECT

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THAT THE CENTRAL BANK, IN ORDER TO SIMPLIFY CONTROL OVER THE MONEY SUPPLY, WILL FIX A SINGLE RESERVE REQUIREMENT FOR ALL TYPES OF DEPOSITS.

3. ACCORDING TO BANKING SOURCES, THE MAIN LOSERS UNDER THE NEW SYSTEM WILL BE THE PROVINCIAL BANKS, MOST OF WHICH NOW HAVE RELATIVELY HIGH LENDING LEVELS IN RELATION TO DEPOSITS. SINCE

MOST OF THEM WILL HAVE DIFFICULTY INCREASING THEIR LEVEL OF
DEPOSITS, THEY WILL HAVE TO CONTRACT THEIR LENDING.
HILL

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Sent Date: 21-Jan-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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